

REGION 4 MONTHLY HIGHLIGHTS

JULY 1992

I. VOLUME

<u>BRAND</u>	<u>VOL</u> <u>MTD</u>	<u>VOL</u> <u>YTD</u>	<u>% CHG</u> <u>vs.</u> <u>LYTD</u>
Marlboro	1,306	13,464	-6.2
Full Margin	1,827	19,063	-4.4
Price Value	860	6,358	27.1
Famous Value Brands	631	3,761	100.0

II. PM USA BRANDS

A. New Products

Marlboro Medium 100's - In the Detroit section, the product does not seem to be selling well at retail. The section's sales to date of 19 million units represents 12.8% of total region volume.

B3G3F 100-unit displays are selling-out in 2 days (Cincinnati).

In the recent B3G2F and B1G1F promotions which were run in the Chicago section, the Medium 100's product was the last to sell-out.

Over 98% of Louisville's accounts have accepted the product. One direct account is pending (Rite-Aid) and one retail account is pending (Shell Oil).

Marlboro Ultra Lights - Wholesalers outside the test market in the Louisville section are requesting product as consumer demand continues to grow.

Reps in the Cincinnati section report that Eby Brown has discontinued shipping product into the market.

Merit Ultima - In Cincinnati, retail movement is slowing in accounts where off-label product has sold-out.

B&H Kings - The introduction has begun. However, Unit Managers in Minneapolis have not received sell-in manuals and other information.

B. Full Margin

Marlboro - The Columbus, OH "Kick Start" program (B2G2F) 300 deal displays have been selling-out in 4-7 days.

The Louisville section reports that allocations for the B1G1F promotion were sufficient but they could have used twice the amount for the B3G3F promotion. Comments by retailers in Louisville and Minneapolis regarding the *BBQ Lighter* promotion have been unfavorable due to the size of the display. Possibly, a "modular" display could be created.

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Reps in the Chicago section report that the displays for the *Buy 1 Carton, Get 1/2 Carton Free* promotion are too large to be put in the prime position in most stores. They recommend offering both 150 and 300 unit displays.

Benson & Hedges - Louisville suggests that the Multi-Brand \$3.00 coupon should be repeated quarterly. The allocation of 5 displays per rep was insufficient.

C. Price Value

In Michigan, the price reduction program is posing logistical problems for both direct and non-direct customers. Wholesalers in the state have lowered their prices but many retailers have refused to do the same. Also, there has been a problem reducing the price on existing product at retail. For example, K Mart has asked for \$100 per store to cover computer time and other related administrative charges. PM refused. Meanwhile, RJR has put stickers ("New Lower Price") on all product at distributors and at retail.

RJR's couponing activity (\$7.00, \$8.00) and buy downs in the Cincinnati section have resulted in a 26% volume decline in the price value segment. Bristol and Cambridge sales in Northern Kentucky have been most severely affected.

The Chicago section is experiencing branded-generic sales declines. The price on Doral (\$6.00 and \$7.00 coupons) and GPC are lower than the competitive PM brands.

Cambridge volume is down 26% in the Louisville section. Competitors have higher coupon values, greater coupon inventories, and better retail coverage.

Bristol sales YTD are down almost 50% in the Louisville section due to a lack of coupons and the continued growth of the Black and White segment.

D. Famous Value Brands

In the Detroit section, RJR has been effective at gaining distribution with their retail offer of \$1.10. To date, RJR distribution has increased substantially (65%). Basic and Best Buy have not been affected. FVB now accounts for 22.5% of section shipments and Basic is the number 2 brand in the section. Retailers, in general, have held Basic at the same price as Monarch and are profiting from the price differential.

III. COMPETITIVE ACTIVITY

A. R. J. REYNOLDS

RJR is offering a promotion in Circle K (Cincinnati section). When a customer asks for a pack of Marlboro, the store clerk gives him/her a coupon for 50¢ off a pack of Winston. When a store clerk makes 75 switches, he is eligible to enter a give-away sweepstakes. This program has been seen in PharMor stores in the Minneapolis section as well.

RJR is offering a promotional pack merchandiser in an attempt to defend against Retail Masters. The display is to be placed at the primary selling location and is designed to secure floor space. The payment is \$15 per month with a \$500 bonus. They have accepted 2nd position. To date, this has not impacted Retail Masters (Cincinnati).

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RJR gained distribution of *Highway* as a fourth-tier brand at J.F. Walker in Gahanna, Ohio.

Sales Reps in South Dakota have noted occasions where RJR has hired additional couponers.

An electronic discount gun will reach RJR reps in 6-8 weeks. (Minneapolis)

RJR has been offering "2 free packs of any RJR brand" coupons at a casino in Minnesota.

Winston - Promotions/coupons include:

- ° \$2 and \$3 carton coupons (Cincinnati, Chicago, Minneapolis)
- ° Free T-shirt with 3-pack purchase, "huggie" with 2-pack purchase, Beach towel with carton (Louisville)
- ° *Select* B2G1F packages are being re-packaged to B1G1F to increase movement (Chicago)
- ° *Select* B2G1F
- ° \$3 carton coupons plus \$1 buydown and 50¢ promotion placement payment with a minimum 300 carton purchase (Chicago)
- ° Racing T-shirt with 4-pack purchase (Detroit)

Camel - Promotions/coupons include:

- ° "Camel Cash Volume II": redeem C-Notes for merchandise (Cincinnati)
- ° free Flop-Flops with 3-pack purchase; Old Joe cap with 3-pack purchase (Louisville, Chicago, Detroit)
- ° Free windbreaker plus \$1 off with 3-pack purchase (Chicago)

Salem - Promotions/coupons include:

- ° 50¢ off pack; free cap with 2-pack purchase (Chicago)
- ° \$1 off 2 packs (Louisville)

Monarch was recently sold into Meijers and received 31% of the total PV section. The payment is \$7 off-invoice for each carton ordered. The brand, which is priced below Basic, is gaining distribution in many major accounts in the Cincinnati section (UDF, Dairy Mart).

Retailers in the Detroit section are reporting that RJR is paying up to \$1.10 per carton on Monarch. There also is an 80-carton floor display which pays \$80. There is a \$1.50 per carton allowance well.

Doral - RJR reduced the price \$2.60/carton. The brand is now at a sub-generic price level.

B. BROWN & WILLIAMSON

In the Cincinnati section, B&W is buying down Raleigh Extra in high PV accounts, making it the lowest price in its price category. PM sales reps are positioning Basic against this.

Coupon values (Louisville section):

GPC: \$1.50 carton, 15¢ pack

Viceroy: \$4.50 and \$5.00 carton, 50¢ pack

Raleigh Extra: \$2.00 carton

Capri: \$2.00 carton, \$2.00 off 4-pack, mailing coupons

Smaller retail accounts in the Chicago section are being required by B&W to continue distribution of GPC to maintain rack payments.

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American is placing \$3.00/50¢ coupons on all Kool packings in self-service locations in the Chicago section.

\$5.00 coupons on Viceroy have been noted in heavy Black & White/Private Label accounts in the Detroit section. American is trying to create retail presence in this section by offering \$25 for placement of door decals, change mats, and metal signs.

C. AMERICAN

American is offering \$5 coupons to carton outlets on all full margin brands. (Cincinnati)

Montclair Full Flavor Menthol 100's and Ultra Light Kings are being introduced with 25¢ coupons. (Detroit)

Riviera introduction in the Cincinnati section: American is offering a bonus allowance through November 13 of \$15 on 10 carton maximum of each style. Payments are made on-site by the American rep.

Private Stock, American's entry into the Black and White segment, is currently being shipped to wholesalers.

The "American Challenge", a direct account incentive program, begins 8/1.

D. LIGGETT & MYERS

Lark is being bought-down-\$8.00 in the Cincinnati section and \$6.00 in the Chicago section.

Pyramid is being bought-down to \$6.99 at wholesale in Kentucky. Wholesalers are also shipping pre-priced 69¢ pack shippers.

E. LORILLARD

Newport - Newport Slims are being introduced using \$3.00 carton coupons. Other Newport offers: Free cap with 1-pack purchase (Louisville), \$4.00 carton coupon (Cincinnati), 50¢ off Newport Lights packs in permanent counter displays, Suspender T-shirt with 3-pack purchase (Lorillard reps are placing only 1 pack on the incentives in rural areas due to slow sales) (Chicago)

Heritage is being discontinued. (Chicago)

F. MISCELLANEOUS

American Smokers Registry - Post cards are being placed in cigarette outlets in central Wisconsin. When a customer mails the card, they get either free cigarettes or coupons. RJR, Lorillard, American, and Pinkerton are involved in this program.

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IV. CUSTOMER DEVELOPMENT

Super X - (Cincinnati Section): VP of Merchandising will not sign a corporate Retail Masters contract. Each division will negotiate separately. A test store in this chain will be set August 5.

Emro: Marlboro 3-pack promotion will run 9/1-30 with account-produced pump toppers and window posters. Strategies are being discussed with PM FVB group regarding a second label for the account to compete with Tourney.

Pre-con has assembled 40% of Emro's product for the Cambridge 2-pack National Accounts promotion. Shipment is scheduled for early August. Printing problems have resulted in a delay of the remaining 60% of the product. Further delays could result in McLanes and Bosart not having sufficient time to assemble and ship to stores by 9/7.

Kroger-Columbus: The VP of Merchandising gave the Director of Merchandising permission to complete Retail Masters negotiations.

PM is considering proceeding with additional account-level tests in the areas of retail pricing, multi-pack promotion effectiveness, and limited distribution.

Gummer Wholesale - (Cincinnati Section): Gummer lost distribution of Genco/Eagle in their Englefield Oil account. Englefield represented 50% of Gummer's Genco volume.

Meijers - (Cincinnati Section): Five stores were converted from self-service to non-self-service as a test. The conversion negatively impacted sales and as a result all five are being returned to self-service.

Giant Eagle - (Cincinnati Section): The Retail Masters proposal was made to Senior Vice Presidents, who accepted the program in principle. A follow-up meeting scheduled for early August.

PharMor: 6-12 month promotion schedule being developed by SAM and Trade Marketing. Prototypes of new carton service centers and pack fixtures are scheduled for installation by early August.

CoGo's - (Cincinnati Section): Retail Masters-full participation signed at this 64 store chain.

Kroger Detroit: Company officials accepted Retail Masters in principle. The next step is to develop a service center concept since the majority of the stores will probably be converting to non-self-service.

Hop-In (Detroit Section): The account is reluctant to remove RJR overheads and floor displays. They have committed to PM-RJR coexistence. There are still many issues to be resolved with Hop-In before Retail Masters can be signed.

Glens Supermarkets (Detroit Section): Signed to full participation 7/27. PM package fixture placement has begun. Part of the agreement includes shared space on an RJR promotional fixture that is being placed in all accounts.

Mobil Oil - (Chicago Section): Mobil's "Power Buying Group" has accepted full participation effective July 1, 1992. 91 stores were signed to M1 and 11 stores were signed to M2.

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RETAIL MASTERS

RJR is offering a two-year agreement with independent accounts in the Chicago section for maintaining or installing their overhead package fixtures. They are also threatening to remove their carton fixtures from accounts that sign Retail Masters. The overhead agreement is presenting an obstacle in urban accounts where volumes are low and Retail Masters payments are not competitive. They will pay independent accounts \$350 per month to maintain 3 RJR counter displays.

In the Detroit section, many accounts are delaying their Retail Masters decisions in pending a counter-offer from RJR.

V. SECTION/REGION EVENTS

The 3-day Lakeshore Fish Festival in Vermillion, Ohio was attended by 150,000 people. The Marlboro racing cap and T-shirt promotion resulted in 100,000 units of incremental full margin volume.

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